



# COUNTY OF LOS ANGELES

## DEPARTMENT OF PUBLIC WORKS

*"To Enrich Lives Through Effective and Caring Service"*

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April 26, 2005

IN REPLY PLEASE  
REFER TO FILE: **PD-5**

TO: Each Supervisor

FROM: Donald L. Wolfe  
Acting Director of Public Works

### **PROGRAMMING LOCAL TRANSIT FUNDS FOR COUNTYWIDE TRANSIT NEEDS**

The Los Angeles County Metropolitan Transportation Authority (MTA) staff has proposed to program the Proposition A Incentive Fund Reserve for Countywide transit needs, primarily to fund the shortfall in the MTA's budget for operations next fiscal year. This proposal was pulled from the Planning and Programming Committee Agenda for April 20, 2005, and had been planned to go before the MTA Board for consideration at its April meeting. We know that the MTA is facing formidable financial challenges. This proposal will also impact the County's ability to provide services.

#### **Background**

The Proposition A Incentive Program was created by the MTA in 1987-88. The Incentive funds reimburse up to 25 percent of the cost of locally coordinated paratransit services (dial-a-ride for elderly and persons with disabilities and local fixed-route shuttles) for the purpose of improving or expanding service. The Incentive Grant also provides annually \$500,000 for Avalon's Ferry and Fixed Route and \$522,000 for the Hollywood Bowl Park-and-Ride service. In addition, the funds are used to reimburse the cities and the County for their National Transit Database (NTD) reporting, which results in more Federal transit formula funding for the MTA and municipal operators.

The Proposition A Incentive Program Reserve has a balance of approximately \$18.5 million as a result of the MTA freeze of the Program for ten years. Currently, the Incentive Fund receipts equal expenditures at about \$11 million per year. Soon, the expenditures will be greater than receipts as service demand and the number of NTD reporters increase.

### **MTA Staff's Proposal**

MTA staff proposal (copy attached) allocates \$8 million of the Reserves for a "Call-for-Projects" for local eligible transit services for capital needs only, and the remaining \$10 million of the Reserves go to the MTA for its operating and capital costs for Fiscal Year 2005-06.

Based on 11 responses, totaling \$11 million in needs, MTA staff calculated that \$8 million would be enough for the locals. MTA staff recently invited the locals to submit the survey again. With the latest survey, the capital needs have now been identified at \$34 million, which includes \$5.45 million in County needs not included in the original \$11 million.

### **County's Use of the Funds within the Incentive Grant Program**

Annually, the County receives about \$992,000 from the Incentive Grant Program. We receive \$398,000 for the County's eligible paratransit services. Please note that two of our paratransit services are not in the Incentive Grant Program. We receive \$72,000 of the cost of the East Los Angeles Shuttle for submitting NTD information and \$522,000 towards the cost of the Hollywood Bowl Park-and-Ride service. When the Reserve is depleted and expanding services cause expenses to become greater than receipts, the current funding levels will be in jeopardy. This will be especially true for the projects that MTA has put into this fund for lack of another source, namely the Avalon and Hollywood Bowl Park-and-Ride services.

### **Future Uses of the Funds within the Incentive Grant Program**

We will be submitting three additional services to the MTA for inclusion in the NTD program, which should provide us with an additional \$107,000 to offset the cost of these services. Also, two of our paratransit services, that are new to the Incentive Grant Program, will mature past the automatic initial three year cap and provide an additional \$68,000.

The Local Transit System Subcommittee (LTSS) has been working on guidelines for a Call-for-Projects to access the Reserve for capital needs over the next three fiscal years. We submitted our capital needs totaling \$5.45 million. This will replace all of our 27 paratransit vehicles and fixed-route vehicles, including two Children's Court shuttles, two Los Nieto shuttles, three Hahn's shuttles, and one Hahn's trolley, at an estimated cost of \$3.62 million. We also submitted capital needs for proposed services, including two Rosewood shuttles, three Whittier shuttles, and a Special Event bus, at an estimated cost of \$1.83 million.

The Reserve balance is needed for new and expanding services. The cost to provide dial-a-ride services will increase due to the increasing demand as the Baby Boomers age. The Department of Motor Vehicles is under pressure to evaluate and develop more comprehensive driver's

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license renewal exams for the aged, which will further increase demand for dial-a-ride services. There are numerous services that are not reporting NTD that can be added to the Program, which will also bring in more money to the Formula Allocation Procedure.

There are numerous opportunities for coordination of services that have not been tapped. More cities could coordinate with neighboring jurisdictions and there could be coordination with health and human service organizations. The Incentive Grant guidelines could include additional incentives for jurisdictions providing service to destinations outside their current service area. These added coordinated services would ease the increasing cost of Access Services, whose costs are more than double the average cost of the local services.

The County of Los Angeles Community and Senior Services Strategic Plan for Aged and Disabled Adults 2003-06, as adopted by your Board on January 21, 2003, has a transportation component. The transportation objectives include coordination of health and human services with public transportation for older adults and adults with disabilities including the identification of strategies such as incentives to cross boundaries. The Incentive Grant Program is the appropriate funding source for this objective.

### **LTSS Actions**

LTSS met on April 21, 2005, in order to reconsider their earlier approval of the MTA proposal. LTSS unanimously voted to now support the April 6 Technical Advisory Committee motion to make the entire balance of the Incentive Grant Reserve available to the Program participants for a mini Call-for-Projects and to reserve the balance for them as well.

### **Our Recommendation**

We would like to agree with the Technical Advisory Committee motion to leave the \$18 million for the locals to use in a Call-for-Projects and any balance to remain for increases in service and coordination. However, we also understand the cooperative spirit that must at times stand above all else. We would, therefore, recommend that the MTA, if they must program the Incentive Fund Reserve for Countywide transit needs, consider this a loan with the intent to pay back the Fund when other transportation funds become available.

AM:rmr

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Attach.

cc: Chief Administrative Office  
Executive Office



**Metro**

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**PLANNING AND PROGRAMMING COMMITTEE  
APRIL 20, 2005**

**SUBJECT: PROGRAMMING AVAILABLE LOCAL TRANSIT FUNDS  
FOR COUNTYWIDE TRANSIT NEEDS**

**ACTION: AUTHORIZE CEO TO PROGRAM AVAILABLE FUNDS**

**RECOMMENDATION**

Authorize the Chief Executive Officer (CEO) to:

- A. Program \$8 million to sub-regional paratransit and locally funded, fixed-route transit operators, and \$10 million to Metro from Proposition A Incentive Program reserves, as described in Attachment A;
- B. Suspend Section 3.3 of the Proposition A 40% Discretionary Fund Guidelines for one year, and program up to \$27.68 million to included municipal transit operators, eligible transit operators and Metro from un-programmed Fiscal Year (FY) 2003-04 and FY 2004-05 Proposition A 40% Discretionary Growth-Over-Inflation (GOI), as described in Attachment B; and
- C. Allocate and administer funds programmed, as well as develop and execute necessary funding agreements, according to criteria described in Attachments A, B and C.

**ISSUE**

The transit industry nationwide is operating in a financially challenging environment of increasing fuel, insurance and other operating costs. Here in Los Angeles County, Metro, sub-regional paratransit operators and locally funded, fixed-route transit operators need additional revenues to cover these cost increases as well as budget shortfalls, so that services may be maintained. Metro itself has the additional need of addressing the legal demands of providing additional transit service under the Federal Bus Consent Decree. Funds are available from the Proposition A Incentive Program and Proposition A 40% Discretionary sources to address these countywide transit needs.

## POLICY IMPLICATIONS

Proposition A Incentive Program and Proposition A 40% Discretionary GOI funds may be used to assist sub-regional paratransit and locally funded, fixed-route transit operators countywide, so that they can maintain service levels and fleets in the current economic environment. Furthermore, both Incentive and Discretionary funds could become important financing sources for implementing the Metro Connections program.

We need approval from the Board of Directors to program available Proposition A Incentive funds for the transit needs of sub-regional paratransit operators, local jurisdictions and Metro. We also need Board approval to program available Proposition A 40% Discretionary GOI funds for included municipal transit operators, eligible transit operators and Metro.

## OPTIONS

The Board may choose not to approve one or both of the recommended actions. The Board instead could choose to program all or part of the recommended Incentive and Discretionary GOI amounts to:

1. Metro, for its operating and capital needs alone;
2. Los Angeles County transit operators other than Metro, for their capital needs alone;
3. Los Angeles County cities and the County of Los Angeles for capital transit projects through a 2007 Countywide Call for Projects process; or
4. Other regionally significant projects identified in the Short and Long Range Transportation Plans for Los Angeles County.

We do not recommend that the Board consider these other options. Programming all or part of the recommended funding under Option 1 or Option 2 would not fairly address the needs of all Los Angeles County transit operators in these challenging economic times. Also, programming all or part of the recommended funding Option 3 or Option 4 would tie up funds for more than one year, instead of using available funding as soon as possible. Therefore, we ask that the Board approve both of the recommended actions, so that Metro and its transit and paratransit partners countywide may continue their services at sufficient levels to meet passenger demand in these difficult times.

## FINANCIAL IMPACT

Board approval of our recommendation will provide: 1) Proposition A Incentive Program funds in the amount of \$10 million to Metro in FY 2004-05, and \$8 million to sub-regional paratransit and other transit operators over three years (FY 2005-06, 2006-07 and 2007-08); and 2) Proposition A 40% Discretionary GOI funds in the amount of \$18.93 million to Metro and \$8.76 million to the municipal operators, as shown in Attachment B. Individual operators may use their allocated Proposition A 40% Discretionary GOI funds for FY 2004-05 and/or FY 2005-06.

With Board approval of our recommendation, \$18 million in un-programmed Incentive funds will be transferred from the Incentive Program carryover reserve. This will have no impact on other projects or programs in the Metro Budget. Also with Board approval, \$27.68 million in un-programmed FY 2003-04 and 2004-05 Proposition A 40% Discretionary -GOI amounts are determined through the FY 2004-05 Formula Allocation Procedure (FAP). These funds are also currently un-programmed and would not impact other projects or programs in the Metro Budget.

## **DISCUSSION**

Due to the current operating environment, Los Angeles County transit and paratransit providers are struggling with budget shortfalls, and are faced with difficult decisions such as raising fares and/or reducing service levels to maintain their ongoing service operations and fleets. We propose to allocate Proposition A Incentive Program and Proposition A 40% Discretionary GOI funds to maintain countywide transit and paratransit service levels in the current environment of growing financial challenges. A portion of the allocation from each of these funds will go to Metro to support regional bus and rail services. We also will allocate these funds our transit and paratransit partners countywide. Comments received from the Metro Technical Advisory Committee and two subcommittees are shown in Attachment D.

### **Proposition A Incentive Program Funding**

The Proposition A Incentive Program was established in the mid-1980s as a replacement for Transportation Development Act (TDA) Article 4.5, which sets aside funds for dial-a-ride, intra-community and other specialized services for the disabled. The key priority is to provide funding for coordinated, multi-jurisdictional dial-a-ride services that increase regional mobility for seniors and persons with disabilities. Incentive Program funding consists of approximately \$11 million per year in revenues, secured from 5% of Proposition A 40% Discretionary revenues. The Proposition A 40% Discretionary funding tier was created when Los Angeles County voters approved the Proposition A local sales tax initiative in 1980. An Incentive Program carryover reserve of approximately \$18 million has accumulated and is currently available for programming.

In addition to the challenges of the current operating environment, the cancellation of the 2003 and 2005 Countywide Call for Projects has left many of the sub-regional paratransit and locally funded, fixed-route transit operators to face serious capital funding demands. Metro is facing serious funding demands from operating and capital needs going into FY 2005-06, as well. We propose to allocate up to \$10 million of the Incentive Program funds to Metro for operating or capital needs. We also propose to allocate up to \$8 million to sub-regional paratransit and locally funded, fixed-route transit operators for their capital needs. Both proposed allocations are described further in Attachment A.

### **Proposition A 40% Discretionary Growth-Over-Inflation Funding**

The recommended programming action will utilize a Proposition A 40% Discretionary GOI amount of \$13.71 million that was derived from the FY 2003-04 FAP and \$13.97 million that

was derived from the FY 2004-05 FAP. We are proposing that these amounts, totaling \$27.68 million, be allocated according to the FY 2004-05 FAP, as described in Attachments B and C. To implement this, we propose that the Board first authorize a one-year suspension of Section 3.3 of the Proposition A 40% Discretionary Fund Guidelines. Section 3.3 of the Guidelines indicates that additional Discretionary funds derived from higher than committed Discretionary grant subsidies will be transferred to the Proposition C 40% Discretionary Fund.

The recommended programming action is proposed as a one-year, one-time only allocation of funds to be used in FY 2004-05 or FY 2005-06. We will administer the funds according to the proposed Countywide Transit Needs Guidelines shown in Attachment C. The funds are to be used to maintain and improve service to transit users countywide. The guidelines are meant to be flexible enough, so as to allow operators to determine how best to address their individual needs. Proposed allocations to Metro and the municipal operators, as well as programming objectives, are identified in more detail in Attachments B and C.

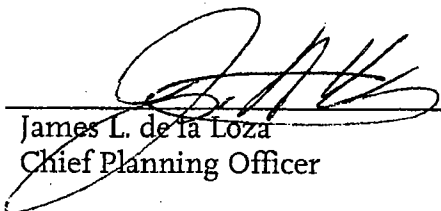
#### NEXT STEPS

With Board approval of our recommendation, we will program, allocate and administer the recommended \$18 million and \$27.68 million funding amounts as indicated in Attachments A, B and C. We will work with the Local Transit Systems Subcommittee to develop criteria for allocation of the Proposition Incentive Funds and consult with the Bus Operators Subcommittee to finalize the proposed Countywide Transit Needs Guidelines (Attachment C). We will bring the Proposition A Incentive funding recommendations back to the board for adoption. Should there be significant changes affecting the scope, purpose or objectives of Countywide Transit Needs Guidelines for the Proposition C funds, we will bring the Countywide Guidelines back to the Board for approval, as well. Finally, we will develop and execute the necessary agreements to allocate and administer funds from both funding sources.

#### ATTACHMENTS

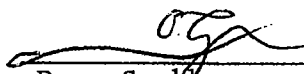
- A. Allocation of Proposition A Incentive Funds to Metro, Sub-regional Paratransit Operators, and Locally Funded Fixed-Route Operators
- B. Allocation of FY 2003-04 and 2004-05 Proposition A 40% Discretionary Growth-Over-Inflation Funds to Metro and Municipal Operators
- C. Countywide Transit Needs Guidelines

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James L. de la Loza  
Chief Planning Officer



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Roger Snoble  
Chief Executive Officer



**Allocation of Proposition A Incentive Funds to Metro, Sub-Regional Paratransit Operators and Locally Funded, Fixed-Route Operators**

Funds allocated to Metro will be for operating and/or capital needs. Funds allocated to sub-regional operators/local jurisdictions will be for capital needs only. Staff has made a preliminary estimate of the capital needs of the sub-regional operators/local jurisdictions to be \$8 million, and will return to the Board of Directors in Fall 2005 with specific funding recommendations up to that amount. Staff will assess the individual capital needs of the sub-regional operators/local jurisdictions and allocate funding to assist in meeting those needs.

Eligible capital project needs would include, but would not necessarily be limited to:

- Replacement of vehicles for sub-regional paratransit or locally funded, fixed-route services.
- Vehicle purchases for implementation of Metro Connections recommendations.

A 20% local-match will be required from the sub-regional operators/local jurisdictions.

Because funds are available to sub-regional operators/local jurisdictions for capital projects only, funds will be programmed for Fiscal Years 2005-06, 2006-07, and 2007-08. This will allow operators/jurisdictions to tailor funds to fit vehicle retirement and replacement schedules, or to plan and implement Metro Connections recommendations.

Funds will come from Proposition A Incentive Program reserves. Funding will be allocated between Metro, sub-regional operators and local jurisdictions as follows:

Agency	Amount (up to:)	Year/Years of Allocation	Allocation Process
Metro	\$ 10 million	FY 2005/2006	Metro Budget/Capital Plan
Sub-Regional Paratransit Operators/Local Jurisdictions	\$ 8 million	FY 2006/2007/2008	Projects to be approved by the MTA Board in Fall 2005
<b>TOTAL:</b>	<b>\$ 18 million</b>		

**Allocation of FY 2003-04 and 2004-05 Proposition A 40% Discretionary  
Growth-Over-Inflation Funds to Metro and Municipal Operators**

The Proposition A 40% Discretionary funds proposed for this allocation derive from un-programmed FY 2003-04 Proposition A 40% Discretionary Growth-Over-Inflation. Section 3.3 of the Proposition C 40% Discretionary Fund Guidelines is suspended for one year, so that these funds may be allocated according to the FY 2004-05 Formula Allocation Procedure (FAP), as shown below:

**Proposition A 40%-Growth Over Inflation**

	% Shares	Percentage	Prop A GOI	Prop A GOI	Total
		Share	FY 2003-04	FY 2004-05	
Arcadia	0.1197957%	0.1132400%	\$ 15,530	\$ 15,818	\$ 31,348
Claremont	0.0405462%	0.0383274%	\$ 5,256	\$ 5,354	\$ 10,610
Commerce	0.0849049%	0.0802585%	\$ 11,007	\$ 11,211	\$ 22,218
Culver City	1.4147396%	1.3373193%	\$ 183,400	\$ 186,807	\$ 370,206
Foothill	7.3479397%	6.9458303%	\$ 952,551	\$ 970,244	\$ 1,922,795
Gardena	1.7197264%	1.6256159%	\$ 222,937	\$ 227,078	\$ 450,015
La Mirada	0.0666008%	0.0629561%	\$ 8,634	\$ 8,794	\$ 17,428
Long Beach	6.1708442%	5.8331503%	\$ 799,958	\$ 814,817	\$ 1,614,775
Montebello	2.5900882%	2.4483480%	\$ 335,766	\$ 342,003	\$ 677,770
<b>MTA Operations</b>	<b>72.3270769%</b>	<b>68.3690428%</b>	<b>\$ 9,376,131</b>	<b>\$ 9,550,287</b>	<b>\$ 18,926,418</b>
Nonwalk	0.7208797%	0.6814302%	\$ 93,451	\$ 95,187	\$ 188,638
Redondo Beach	0.0227085%	0.0214658%	\$ 2,944	\$ 2,999	\$ 5,942
Santa Monica	5.8756936%	5.5541515%	\$ 761,696	\$ 775,844	\$ 1,537,541
Torrance	1.4984554%	1.4164538%	\$ 194,252	\$ 197,861	\$ 392,113
Antelope Valley	1.2470278%	1.1787853%	\$ 161,659	\$ 164,661	\$ 326,320
Santa Clarita	1.6639371%	1.5728797%	\$ 215,705	\$ 219,711	\$ 435,416
City of LA DOT	1.8415915%	1.7408120%	\$ 238,735	\$ 243,169	\$ 481,904
Foothill - BSCP	1.0366634%	0.9799329%	\$ 134,388	\$ 136,884	\$ 271,272
<b>Total Funds Allocated</b>	<b>105.79%</b>	<b>100.00%</b>	<b>13,714,000.00</b>	<b>13,968,730.00</b>	<b>27,682,730.00</b>

The funds will be administered according to the Proposed Countywide Transit Needs Guidelines described in Attachment C.

## **Countywide Transit Needs Guidelines**

### **INTRODUCTION**

These guidelines summarize the funding policies and administrative procedures for the programming of funds to maintain and improve transit services countywide.

### **PROGRAMMING OBJECTIVES**

Funds programmed are to be used for maintaining services to transit users countywide in a financially challenging environment of increasing fuel, insurance and other operating costs and budget shortfalls. The program is flexible to allow operators to determine how best to accomplish their individual needs. The objectives of the program are:

- a) To maintain service to transit users countywide;
- b) To assist Metro in reducing its operating and capital costs through collaboration between the municipal operators and Metro;
- c) To identify overlapping services and develop strategies to operate those services at a reduced cost;
- d) To work with Metro on new countywide service expansion plans to reduce overcrowding and expand new services to the transit dependent;
- e) To provide input into Metro's vehicle purchase plan to reduce costs; and
- f) To continue work with Metro on countywide fare media options and the Universal Fare System to achieve a seamless ride for Los Angeles County transit patrons.

### **PROGRAMMED AMOUNT AND ALLOCATION PERIOD**

This programming of funds is a one-year, one-time allocation of funds to be used in FY 2004-05 or 2005-06, depending on the needs of the individual operator. The funding allocation shares of the operators are shown in Attachment B.

### **RESERVE/CARRY-OVER REQUIREMENTS**

An operator may reserve or carry over its allocation to the next fiscal year; however the funds will retain their original year of allocation for the purpose of applying the lapsing requirement.

An operator may assign its funds for a given fiscal year to another operator that is able to use them according to the scope, purpose, and objectives and within the lapsing requirement timeframe.

### **LAPSING REQUIREMENT**

Given the objective of the program to maintain transit service, operators are encouraged to spend these funds in a timely manner.

Operators have four years, that is the year of allocation plus three years, to spend the funds allocated through this programming. Lapsed funds will revert back to a joint municipal operator fund, which will be allocated proportionally to all other municipal operators.

#### **AUDIT/REPORTING REQUIREMENTS**

Use of these funds will be audited as part of the annual audit of each municipal operator. Operators will retain all documents and records related to this program and the use of funds for a period of three years after the year in which the funds are expended. Municipal operator and Metro records of the use of these funds for operating transit services will be kept and reported separately on Transit Performance Measurement (TPM) forms, and not included in Formula Allocation Procedure (FAP)-funded uses. If funds are used for capital purposes, they should be reported separately on the capital project tables in the Short Range Transit Plan (SRTP).

Semi-annual Report: Operators will provide a semi-annual report to Metro describing how services are meeting the programming objectives. For capital projects, the semi-annual report should describe the project progress and estimated completion date.

**Comments Received from Metro Technical Advisory Committee and Subcommittees**

Bus Operators Subcommittee (BOS). On March 22<sup>nd</sup>, 2005 we presented this report to the BOS. BOS deferred action to the bus operators General Managers.

Local Transit Systems Subcommittee (LTSS). On March 24<sup>th</sup>, 2005 we presented this report to the LTSS. LTSS members passed a resolution to support the staff recommendation with the following caveats: 1) LTSS member capital needs may exceed \$8million; and 2) Any amount over \$18 million be kept in the Proposition A Incentive Reserve Fund. 11 voted in favor, 3 opposed and 1 abstained.

General Managers. On March 31<sup>st</sup>, 2005 we presented this report to the bus operators' General Managers. The General Managers took the following position: that the \$18 million be offered to the current recipients of the Proposition A Incentive Fund, and if there are remaining funds they are to be allocated to Metro and the municipal operators according to the Fund Allocation Procedure.

Technical Advisory Committee (TAC). On April 6<sup>th</sup>, 2005 we present this report to the Technical Advisory Committee TAC. TAC made a resolution that the entire balance (\$18 million) should be made available through a mini-call for projects for which Proposition A Incentive Program Eligible Participants can participate and any balance be reserved for the Incentive Program Eligible Participants. 12 voted in favor, 8 opposed, and 6 abstained.